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Report of the Secretary-General on the United Nations Interim Administration Mission in Kosovo

I. Introduction

1. The present report is submitted pursuant to Security Council resolution 1244 (1999) of 10 June 1999, by which the Council decided to establish the United Nations Interim Administration Mission in Kosovo (UNMIK) and requested the Secretary-General to report at regular intervals on the implementation of the mandate. It covers the activities of UNMIK and developments in Kosovo, Serbia and Montenegro, since 1 January 2003.

2. A significant step in the first three months of 2003 was the launching of the process of transferring further responsibilities to the Kosovo Provisional Institutions of Self-Government (the Provisional Institutions), consistent with paragraph 11 of resolution 1244 (1999). The responsibilities being transferred are those outlined in chapter 5 of the Constitutional Framework. My Special Representative will retain those responsibilities reserved for him under chapter 8 of the Constitutional Framework. A Transfer Council was established by UNMIK and the Provisional Institutions to oversee, coordinate and manage the transfer process. The Provisional Institutions will thus become increasingly responsible for the implementation of the benchmarks covering transferred responsibilities, including the development of a roadmap to achieve them. This will involve increased responsibility for the often complex and politically sensitive issues in those transferred areas. Other important developments during this period included the commencement of the Council of Europe decentralization mission and the installation of the first female member of Government. Also significant was the signing of a declaration by key Kosovo Albanian political leaders, reaffirming their commitment to the Coalition Agreement of last year and underlining the importance of reaching the standards set out in the benchmarks paper and advocating direct dialogue on practical issues with all neighbours.

II. Functioning democratic institutions

3. While the Provisional Institutions have become more familiar with their operational work and core responsibilities, inter- and intra-party struggles prevented significant progress on issues of substance. The fragmented Kosovo Albanian political landscape was having an impact on the work of the Kosovo Government

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and the Kosovo Assembly Presidency. It undermined their leadership role and threatened the stability of these institutions.

4. Kosovo still has some way to go in establishing representative and functioning institutions. During the first three months of 2003, the Kosovo Provisional Government took 36 policy decisions, of which 16 involved legislation. Only 10 policy decisions were prepared according to the rules of procedure in force. Ten draft laws were submitted to the Kosovo Assembly for review and the Assembly adopted four laws. No bills were initiated or drafted by the Assembly or one of its Committees. Five ad hoc inter-ministerial committees have been formed, namely, on war damages, missing persons, the review of personal income tax, levelling of public sector wages, and transfer.

5. Assembly plenary meetings continued to take place on a weekly basis, with 10 meetings held during the reporting period. Two meetings were not held; the first as a result of the arrests of persons indicted by the International Criminal Tribunal for the Former Yugoslavia and the second because of the inability to agree on the final agenda, which included a motion to recognize the "values" of the former Kosovo Liberation Army (KLA) and a discussion on direct talks with Belgrade. Coalition Return (KP) boycotted sessions between November 2002 and late January 2003. Since then, KP has participated, but walked out of one meeting when the Kosovo Assembly adopted two declarations; the first called for the release on bail of a Kosovo Albanian detained by the Tribunal and the second denounced the formation of a "Union of Serbian Municipalities and Settlements". KP also did not attend the 13 March Assembly meeting following the assassination of the Prime Minister of Serbia, Zoran Djindjic. The Democratic Party of Kosovo (PDK), on one occasion, and the Alliance for the Future of Kosovo (AAK), on two occasions, also boycotted Assembly meetings in protest over the Assembly Presidency's refusal to include the issue of "war values" on the agenda. The three major Kosovo Albanian parties and the non-Serb minorities signed a joint statement, which was presented at one meeting of the Assembly, stating that the declaration of independence would be dealt with at a later meeting. At its 3 April meeting, the Assembly adopted the position that the Provisional Institutions should implement a law on higher education, even though it had not been promulgated by my Special Representative. The draft law, as previously adopted by the Assembly, was challenged by Kosovo Serb deputies for not taking into account vital interests of minority communities. It had the effect of excluding the university in northern Mitrovica, attended by Kosovo Serbs, from the unified educational system for Kosovo (see S/2002/1126, para. 4). The Assembly also rejected compromise language recommended by the Special Panel, which had been seized of the matter in accordance with the Constitutional Framework. My Special Representative issued a determination stating that the position adopted by the Assembly of Kosovo on this matter is without legal effect.

6. The Senior Public Appointments Committee completed the recruitment of 80 per cent of senior civil servants in the Government, including the first female Permanent Secretary, through competitive examinations. There has been a general lack of transparency in the appointment of civil servants for Chief Executive Officers and Department Directors in the municipalities. At the central level, the recruitment process has generally been organized in compliance with the Civil Service Law and minority requirements were met in setting up selection panels. However, there is a perception by civil servants that their career depends on political allegiance more than on professional skills, leading them to apply for positions in

bodies where they believe that they would not be perceived as political opponents by the leadership. This has led to an alignment of civil servants according to party politics, in contravention of the principles of merit, political neutrality and impartiality.

7. Systemic failures, such as insufficient advertising of job vacancies and recruitment procedures, hindered the minorities' ability to compete for jobs, as did the lack of freedom of movement and discrimination in accessing information. A quarterly assessment, however, revealed progress in recruiting minority representatives at the central level. As compared to an average of less than 6 per cent at the beginning of 2003, minority representation in the central-level civil service averaged some 13 per cent by the end of March. No central body remained without minority employees. There are also more minority employees in management levels, reaching approximately 19 per cent overall. Employment of minorities in most of the public and socially owned enterprises remained unsatisfactory, with less than 1 per cent employed in the Kosovo Electricity Company, Post and Telecommunications Kosovo and other public enterprises.

8. On a positive note, institutional mechanisms in support of minority participation in the civil service at the central level have been further strengthened through legislation and administrative support. The Office of the Prime Minister has initiated an outreach programme for active recruitment of minority community members to the civil service, with the Prime Minister's active and personal support. Majority and minority community civil servants in the Office of the Prime Minister have visited minority areas together to give on-the-spot information on vacant positions and general work conditions in the Kosovo civil service. The outreach programme has resulted in a ninefold increase in minority applications in comparison to similar recruitment drives by the Office of the prime Minister in the past. Another governmental initiative, originating from the Office of the Prime Minister, established gender/equal opportunity focal points within ministries. The Government also issued an Administrative Directive that provides for a range of legal mechanisms that promote and protect the employment of minorities, such as appeal procedures and fair and transparent recruitment.

9. The functioning of inter-ethnic municipal administrations varied considerably. In Kamenica, Gnjilane, Novo Brdo (all in the Gnjilane region) and Kosovo Polje (Pristina region) the municipalities' joint administrations functioned at a reasonable level. Owing to several security incidents in Vitina municipality (Gnjilane region), Kosovo Serbs have not taken up municipal positions. The positions reserved for Kosovo Serbs in the municipal structures in Lipljan municipality (Pristina region) remained vacant, as no suitable candidate has applied. Two unions of Kosovo Serb-majority municipalities were formed, the first in northern Mitrovica and the second in eastern Kosovo. UNMIK has not recognized either union as a legitimate structure, as they are based on mono-ethnicity. The UNMIK administration in Mitrovica has made progress in establishing its administrative structure and in providing administration and public services in the northern part of Mitrovica city. Its staffing is almost complete with the recruitment and training of 82 new local staff members, bringing the total to 120. It has also started to issue UNMIK civil registration documents, such as birth, death and marriage certificates, to perform inspections, beginning with sanitary inspections, and to issue construction permits and, in collaboration with the Kosovo Ministry of Public Services, it established a facility to issue driving licences and vehicle registration documents.

10. Assessing minority employment at the municipal level presented many difficulties, given the absence of an accepted recent census and the continuing displacement of a large percentage of Kosovo's minority communities, among which are the vast majority of professionals. Responding to these challenges, a "representational range" of appropriate minority employment has been established for each municipality, based on the 1981 and 1991 censuses and on current population estimates. Based on these ranges, the Gnjilane region has the best record at this stage in achieving employment goals, with three municipalities having acceptable levels of minority representation. Unfortunately, minority employment at the municipal level remained low overall and continued to centre on municipal community offices rather than on other municipal structures.

11. Kosovo has made progress in supporting civic education and participation by promoting civil society structures and increasing education courses for students. A total of 2,292 non-governmental organizations have registered, 381 of which are international. Approximately 800 Kosovo Albanian and non-Serb primary schools offered civic education classes. In cooperation with the United Nations Children's Fund, the Kosovo Ministry of Education, Science and Technology has established a working group on curriculum development for civic education.

12. There are some 34 political parties currently registered within Kosovo, of which 22 have one or more elected representatives in a municipal assembly or in the Assembly of Kosovo. No political party has submitted or published its required financial statement and only one out of 22 financial disclosure reports submitted on electoral campaign expenditures was considered accurate by auditors.

13. Much remains to be done in the field of fostering responsible and professional media. Some of the local press continued to issue inflammatory and sensational reports and to present inaccurate or provocative information. Even though an increasing number of cases have been brought to the attention of the Temporary Media Commissioner, €51,500 in outstanding fines remained. The Commissioner engaged in mediation activities to ensure that retractions were issued and to enforce temporary print and broadcast codes of conduct in the absence of self-regulatory mechanisms.

III. Rule of law

14. Overall, the rate of criminal incidents for the first three months of 2003 remained generally consistent with the last reporting period, although there appeared to be an increase in organized crime. There were grenade and other attacks against UNMIK police stations in Pec, Pristina and Mitrovica; fortunately, no injuries occurred. Some of these attacks have been assessed as reactions to successful police investigation of organized crime. The first arrests of former KLA members by the International Criminal Tribunal for the Former Yugoslavia occurred without major incident. Kosovo's political leadership pledged full cooperation with the Tribunal, but some elements of the Kosovo Albanian public did not support those arrests. There were 24 peaceful public demonstrations associated with the arrests made by the Tribunal and with sensitive trials, arrests and judicial investigations, primarily of former KLA members charged inter alia with war crimes, terrorism and organized crime.

15. Ethnic violence and crime seemed to be on the increase again after a decline in December 2002, with a total of 63 ethnically motivated crimes identified during the reporting period. These incidents primarily involved explosions, harassment and threats, shooting, stone throwing and assaults, but no murders.

16. To enhance the efficiency, impartiality and overall functioning of the judicial system, additional judicial personnel were recruited during the past three months, including members of minority communities. At present, there are a total of 314 local judges and 44 prosecutors working in the Kosovo judicial system and a total of 57 courts, including one commercial court in Pristina. In the local judiciary, women represent 24.8 per cent of all judges and 15 per cent of all prosecutors, and minorities represent 10 per cent of all judges and 9 per cent of all prosecutors. Currently, Kosovo Serbs comprise almost 5 per cent of all judges and 2 per cent of all prosecutors. There are 18.9 judges and prosecutors per 100,000 inhabitants, and 2.85 courts per 100,000 inhabitants, which is close to European standards. Despite the high proportion of judges, prosecutors and courts to population, there remained a significant backlog of cases currently pending in local courts — 13,737 civil, 495 administrative and 11,757 criminal cases, indicating a clear need to improve the efficiency of the justice system. There are also 17 international judges and 10 international prosecutors placed at the District and Supreme Courts of Kosovo and the Office of the Public Prosecutors. They handle approximately 3 per cent of criminal cases considered as sensitive.

17. During the past three months, the local judiciary dealt with 100 per cent of civil and 97 per cent of criminal cases. Seventy-eight per cent of criminal proceedings resulted in convictions. While there was no indication of any cases of suspects not brought before a judge within the legal time limit of 72 hours, the percentage of detainees whose pre-trial detention exceeded six months remained high. As at 2 March, out of a total of 584 pre-trial detainees, 154 had been in custody for more than six months.

18. As evidenced by public protests against the arrest of former members of KLA, the Kosovo public does not perceive the justice system to be independent or impartial. Kosovo Serb representatives of five municipalities, Kosovo Polje, Lipljan, Obilic (Pristina region), Novo Brdo (Gnjilane region), and Zvecan (Mitrovica region), complained of a prima facie lack of access to judicial institutions for the Kosovo Serb population. Problems identified included a lack of delivery of court documents, a lack of secure transportation to courts in Pristina, unequal treatment during court hearings and a lack of legal assistance. Access to a complete and accurate copy of the applicable law in each court in English, Albanian, Serbian and Turkish also remained a problem. Some courts have received all the volumes of the *Official Gazette*, in English, Albanian and Serbian, but others have not received all volumes and experienced delays in receiving the applicable laws/regulations.

19. UNMIK continued to dismantle the parallel courts supported by Belgrade and worked to establish a unified justice system under UNMIK. Seven Kosovo Serb judges were appointed in the northern part of Kosovo and the Minor Offences and Municipal Courts in both Leposavic and Zubin Potok were officially opened under UNMIK administration on 13 January.

20. During the first three months of this year, progress continued in developing a well-functioning, sustainable and representative local police service. As at 31 March, there were a total of 5,247 Kosovo Police Service (KPS) Officers and 4,389

UNMIK police, with a ratio of approximately one KPS officer per 450 civilians. The ethnic composition of the Kosovo Police Service has remained largely the same, with the exception of Kosovo Serb representation, which increased from 8.42 to 9.24 per cent. Currently, minorities represent 14 per cent of those who serve in the correctional service, with Kosovo Serbs at 13 per cent of this figure, while women comprise 26 per cent of total corrections staff. The first quarter of 2003 indicated a police criminal case clearance rate of 49 per cent for crimes against persons, and 21 per cent for crimes against property, which was higher than in many European countries. Three police stations were transferred to KPS command, in Gracanica (Pristina region), Kacanik (Prizren region) and Strpce (Gnjilane region). Some progress was made in the integration of Kosovo Serb officers within KPS, including in the northern part of Mitrovica. In the reporting period, there have been 38 cases, mainly for administrative violations, involving the investigation of 46 KPS officers. These cases resulted in the termination of employment for six officers and suspension without pay for five officers.

21. UNMIK police amended and improved joint mechanisms of intelligence collection and analysis and the subsequent input into special investigations through a Target Coordination Mechanism bringing together key representatives of the Central Intelligence Unit, the Kosovo Organized Crime Bureau, the Financial Investigation Unit, the UNMIK Department of Justice, UNMIK Customs and the Kosovo Force (KFOR). Further, UNMIK police has established a Special Task Force for Terrorism/Extremism, in close cooperation with the UNMIK Department of Justice and KFOR. UNMIK has had some success in combating organized crime, specifically in the areas of fraud, corruption and smuggling.

22. The UNMIK Police Witness Protection Programme, which provides witnesses at risk with a safe place to stay within Kosovo, currently provides three families with 24-hour protection. All of the witnesses are giving testimony in war crimes and high-profile cases, and are awaiting case completion and permanent relocation. It is anticipated that the need for witness protection will increase when the Kosovo Organized Crime Bureau and the Trafficking and Prostitution Investigation Unit are fully operational. UNMIK continues to seek out Member States that are willing to accept witnesses into national witness protection programmes.

23. There were developments in six cases involving Kosovo Albanians accused of ethnic extremism, organized crime or war crimes. District Court panels convicted two high-ranking former KLA members of committing serious crimes against other Kosovo Albanians. One former KLA commander was arrested for illegal possession of a large amount of weapons, and he is also suspected of involvement in terrorism. A war crimes trial began in the case of a former KLA zone commander, who is also reputedly a major organized crime figure. A terrorism trial commenced in the case of two Kosovo Albanians accused of leading an ethnic Albanian extremist group that advocates the armed insurrection in the Albanian-majority area of the former Yugoslav Republic of Macedonia. This trial is the first that is proceeding under UNMIK Regulation No. 2001/12 on the Prohibition of Terrorism and Related Offenses. A second trial, involving Kosovo Albanian leaders of another ethnic Albanian extremist group, will begin in April 2003. Additionally, a District Court panel convicted a Kosovo Serb, a former head of Orahovac municipality, of war crimes. There are ongoing judicial investigations into cases related to organized crime, including two cases of trafficking and two associated with narcotics.

IV. Freedom of movement

24. Several communities remained unable to exercise unescorted freedom of movement. The level of freedom of movement differed significantly from one region to another, and from one ethnic group to another. Freedom of movement for members of minority communities, particularly the Kosovo Serb community, remained extremely restricted in much of the Pec region, and substantial limitations also continued in the Pristina and Mitrovica regions. In contrast, there was a limited, although still not fully acceptable, level of freedom of movement throughout the Gnjilane region, and freedom of movement in the Prizren region continued to improve.

25. Police and military escorts for minority communities have been significantly reduced without deterioration in security conditions. The security escort allocated to the humanitarian bus service for minority communities has been reduced by approximately 85 per cent from its 2002 peak level. KFOR statistics indicated an overall reduction of approximately 11 per cent in security escorts. As a result, some municipalities have witnessed a commensurate decrease in the movement of minorities. Approximately 12 to 15 per cent of the 480 minority civil servants travelled to work using the civil service bus transport network. Many others were transported in safe vehicles provided by their employers.

26. The reduction of military and police escorts, combined with the dismantling of fixed check points, has somewhat eased the isolation of minority communities in Kosovo. While static checkpoints have largely been dismantled, KFOR continued to maintain a limited presence in minority communities to provide general area security. Nonetheless, minority residents routinely continued to face violence, harassment and discrimination. The persistence of ethnically motivated security incidents remained a barrier to the free movement of minority community members and prevented substantial improvement in the level of confidence.

27. The legal framework and current practice grants all habitual residents access to new Kosovo number plates (license plates). Eligible minority applicants have the option to switch to Kosovo plates from those issued by the Federal Republic of Yugoslavia. Although UNMIK now provides Kosovo Serbs with free number plates, minority communities, especially Kosovo Serbs, generally still chose the Yugoslav plates that allow them to travel freely in Serbia proper and neighbouring countries without additional insurance charges. Temporary driving certificates and UNMIK driver's licences are being made available to all habitual residents of Kosovo. The Kosovo Ministry of Public Services has a programme to exchange Yugoslav driver's licences, issued prior to 1999, for an UNMIK-issued licence. To date, 134,000 UNMIK-issued driver's licences have been handed out to former holders of Yugoslav licences.

28. The "Freedom of Movement" train, launched on 12 December 2002, continued to operate, and connects to Serbian Railways. The number of passengers on the train ranged between 15,000 and 18,000 per week. All ethnic groups used the service. Approximately 100 to 200 persons used the train connection to and from Serbia proper on a daily basis with a higher number on weekends.

29. Minority communities in Kosovo are still not able to freely use their own language and alphabet throughout Kosovo, including in courts, agencies and other public bodies. This provision has been fully respected only in the Assembly of

Kosovo, whereas other central bodies and municipalities often continued to disregard this legal right. Documents issued by the courts have been translated into other languages only upon a request by an individual, rather than as a matter of routine. At the municipal level, working materials, municipal decisions, by-laws and regulations have frequently been translated only with delays or not at all. The reluctance of civil servants to speak in Serbian continued at both the central and municipal levels. Signs in public buildings, road signs and names of municipalities were generally posted only in Albanian. The personal names of non-Albanians have been "Albanized" in official documents, such as civil status papers (e.g. identity cards), contracts, bills and statements issued by either public institutions or public utility companies. Wherever these violations have been brought to the attention of UNMIK, they have generally been rectified. In the case of UNMIK identity cards, thousands have had to be reissued to minorities with the correct spelling of personal names.

V. Sustainable returns and minority rights

30. The Office of the United Nations High Commissioner for Refugees (UNHCR) estimated that 182 minority returns took place in January and February 2003, comprising 56 Kosovo Serbs, 49 Ashkalia/Egyptians, 47 Bosniacs, 29 Roma and one Gorani. While full statistics for March are not yet available, 41 Kosovo Serbs returned to a village in the Prizren region, and 24 Kosovo Serbs joined an existing returns project in the Pec region, indicating an increased pace of returns. Improved structures to support the returns process, enhanced engagement by local authorities and internally displaced persons, and continuing support from the donor community are resulting in an increased number of sustainable returns projects, with some thirteen projects already developed for returns in 2003.

31. Given the continued violence, harassment and discrimination faced by minorities, achieving sustainable minority returns to Kosovo is difficult, time-consuming and resource-intensive. There has been a notable increase in the engagement of the Provisional Institutions in the returns process. However, at the central and municipal levels, efforts regarding minority communities and returns were under-resourced and not effectively integrated into the overall work of the Provisional Institutions. The Kosovo Prime Minister and his office have worked to remedy this situation, although with limited results.

32. On 17 February, my Special Representative launched the *Manual for Sustainable Returns*, together with the Kosovo Prime Minister and the Inter-ministerial Coordinator for Returns, in the Task Force on Returns. On 25 February, the Prime Minister made public his commitment to returns when he visited the village of Sredska (Prizren region), where Kosovo Serbs returned in 2002 and where more families are expected. In addition, constructive involvement by municipal authorities in the returns process has grown in recent months, although in two thirds of Kosovo's municipalities the situation remained unsatisfactory. A majority of Municipal Presidents or Vice-Presidents participated in the Municipal Working Groups on returns, although the quality of participation varied. The last three months also witnessed increased participation of municipal officials in go-and-see visits and go-and-inform visits.

33. A review of "fair-share financing" from municipal budgets for 2002 reflected a less than satisfactory outcome, with only 5 out of 24 mixed municipalities having reached 75 per cent of required budgetary support for minorities on all four budget lines (goods and services, health, education, and municipal source revenues) as assessed by UNMIK. The fact that four out of the five best-performing municipalities were in Kosovo Serb majority municipalities is noteworthy. The most successful region was Mitrovica, followed by Prizren, Pristina, Gnjilane and Pec. Compliance should be enhanced through implementation of the budget regulation for 2003 (UNMIK Regulation 2002/23 of 31 December 2002), which specified the legally required target percentages to be achieved, mandated quarterly reporting and provided for the enforcement of punitive actions in the event of non-compliance.

34. There continued to be a difference in the provision of electricity between majority and minority communities, although these variations apparently resulted primarily from the Kosovo Electricity Company's failure to maintain installations in minority areas, non-payment of bills in minority areas, efforts to prevent Company access and failure to deliver bills to minority populations living in enclaves.

35. Progress has been made on inter-ethnic dialogue at the municipal level. In addition to interaction occurring in the Municipal Working Groups on returns, activities have been undertaken on a routine basis at different levels, with the support of UNMIK, KFOR, UNHCR and numerous non-governmental organizations. In the Gnjilane region, four inter-ethnic meetings were held to plan returns to four villages, with the President of the municipality attending three of the meetings. Similar progress was noted in the Mitrovica region, where, in Leposavic, the Municipal Assembly President visited a Kosovo Albanian village. In Vucitrn, the Municipal Assembly President visited two Kosovo Serb villages and, in Srbica, the Municipal Assembly President visited a Kosovo Serb village. In Pristina region, the Municipal Assembly Presidents of Stimlje and Lipljan undertook similar visits. In terms of integration, 40 schools in Kosovo are considered "mixed", two of which are mixed Kosovo Albanian and Kosovo Serb.

VI. Economy

36. There has been a decline in economic activities, which is expected to continue, partly attributable to the downsizing of the presence of the international community. The Kosovo Department of Labour and Employment registered some 260,848 unemployed persons in Kosovo as of January 2003. Of this total, 19,941 (about 7 per cent) were from minority communities.

37. Kosovo continued to make progress in developing an economic legislative framework. The Kosovo Assembly passed a Law on Bankruptcy on 13 March. In drafting new legislative acts and revising existing ones, particular attention has been given to compatibility with European Union standards. A major instrument in this regard is the Stabilization and Association Process Tracking Mechanism with the European Commission, which held its first session in Pristina on 13 March. This is a technical working group to support Kosovo in its European Union-compatible structural reforms through policy advice and guidance. The Economic and Fiscal Council met twice over the past three months and discussed inter alia budget development and implementation issues related to fiscal year 2002 and the years 2004-2006, an urgent request for funding for the electricity sector, the establishment

of a civil aviation regulatory organization, implementation of the Free Trade Agreement with the former Yugoslav Republic of Macedonia, and the draft public financial management and accountability law. Economic exchange within the region has expanded further and cooperation has been enhanced through participation in regional coordination mechanisms.

38. On 15 February, the Board of the Kosovo Trust Agency (KTA) adopted its operational policies and procedures. The KTA Board also approved the first six socially owned enterprises for privatization, which will go to tender after promulgation of a land-use regulation. The establishment of the KTA Special Chamber is in an advanced stage of preparation. Preparatory work has been completed for a majority of the 480 socially owned enterprises that fall within the purview of KTA in preparation for their privatization or liquidation. Extensive documentation on these enterprises has been prepared and a library of casebooks established, containing legal, cadastral, employment and financial documentation for each specific enterprise.

39. On 31 March, KTA completed external audits and operational reviews, including appropriate models of corporate governance, of the Kosovo Electricity Company, Post and Telecommunications Kosovo, UNMIK Railways, Pristina Airport and other publicly owned enterprises in the water, waste and irrigation sectors. Also by that date, KTA and the Ministry of Finance and Economy compiled lists of all enterprises to be audited on the basis of their 2002 financial reports. External audits and additional examinations by the Banking and Payments Authority of Kosovo are already being carried out annually for all banks in Kosovo.

40. Kosovo made progress during the first quarter in the development of a tax revenue collection system. On 18 February, the administrative and operational responsibilities for the Tax Administration were formally transferred to the Kosovo Ministry of Finance and Economy. The Tax Administration, which is responsible for the implementation and collection of income tax, profit tax, presumptive tax, and internal value added tax collection, has bolstered its capacity and consequently increased the level of voluntary compliance with tax laws.

41. The number of personnel in the UNMIK Customs Service increased from 346 to 414 during the first quarter of 2003. Of the 68 successful candidates, 19 per cent were minorities. An international Director General, three international Directors and four Kosovo Albanian Deputy Directors currently manage the customs service. In line with planned targets, the UNMIK Customs Service has collected €57 million in revenue during the period from 1 January to 9 March 2003, capturing much of what was due from goods coming into Kosovo. At the same time, it has become increasingly clear that many certificates of origin have been falsified to take advantage of the Free Trade Agreement with the former Yugoslav Republic of Macedonia.

42. The Public Procurement Regulatory Body recently initiated audits of some of the procurement activities of the Kosovo Ministries and agencies that received funds from the Kosovo consolidated budget. The Central Procurement Entity in the Kosovo Ministry of Public Services manages bulk procurement and the provision of services for the Provisional Institutions. All tenders through the Central Procurement Entity were advertised in three languages (English, Albanian and Serbian). Of the 72 tenders approved during the reporting period, 40 per cent were for goods, 40 per cent for works and 20 per cent for services. Upon completion of

each tendering process (61 were conducted under an open process and the remaining 11 under single source provision), 59 tenders were awarded to local companies and 13 to international firms.

VII. Property rights

43. Since the beginning of 2003, the Housing and Property Directorate has been in a position to allocate resources for effective processing of claims in all regions. Of the more than 24,000 claims submitted to the Directorate so far, 12.7 per cent have been resolved, resulting in 574 evictions. For 48 per cent of cases where property claims have been registered, the Directorate has now notified the purported illegal occupant. This is marked progress compared to September 2002, when approximately 20 per cent had been notified and just over 2 per cent resolved. The Housing and Property Directorate currently has 2,325 properties under its administration. Approximately two thirds (16,600) of all claims submitted were from claimants outside of Kosovo from Serbia proper and Montenegro. Recently, the authorities of the former Yugoslav Republic of Macedonia agreed to the Directorate receiving claims in Skopje. Just over 3 per cent of the Housing and Property Claims Commission decisions have been subject to requests for reconsideration. To date, only one reconsideration request has resulted in overturning the initial decision. Accurate document verification systems are now in place to expedite the claims process.

VIII. Dialogue with Belgrade

44. The assassination of the Prime Minister of the Republic of Serbia and provocative statements by Belgrade officials on the future status of Kosovo have had a negative impact on the political situation in Kosovo. Statements by Kosovo Albanian leaders on Kosovo's final status have been similarly provocative. Nonetheless, my Special Representative initiated a process to start a dialogue on practical matters between the Belgrade authorities and the Provisional Institutions. On 28 February, the leaders of two Kosovo Albanian coalition parties and of the Provisional Institutions signed a declaration encouraging the Provisional Institutions to join UNMIK in direct dialogue on practical issues. On 2 March, my Special Representative initiated the process by inviting a ministerial delegation from Belgrade for talks on a proposed agenda. However, after initial support, leading Kosovo Albanian politicians backed away from the initiative, citing, among other factors, a number of preconditions for dialogue, including the need for further progress in the transfer process and the approval of a Joint Platform by the Kosovo Assembly. Similarly, although the Belgrade authorities initially endorsed the idea of direct talks, they requested the inclusion of additional agenda items to the ones proposed by UNMIK and then expressed unwillingness to participate, owing to disagreement with the transfer of additional responsibilities to the Provisional Institutions. The process of initiating direct dialogue was postponed following the assassination of Prime Minister Djindjic.

45. Practical modes of cooperation with the Government in Belgrade continued to develop during the past three months, although direct contact remained restricted and largely undertaken by UNMIK. Nevertheless, the Kosovo Ministry of Labour

and Social Welfare established productive relations with the Serbian Ministry of Social Affairs in exchanging information and coordinating cases of repatriation. Contacts with the Serbian Ministry of Health have been particularly difficult to establish, since the Ministry insists that health facilities in Kosovo Serb areas remain part of the health-care network of Serbia proper. However, cooperation between the respective Ministries of the Environment appeared to be growing, following initial contact and collaboration in handling the issue of phenol pollution in the Ibar River.

46. The existence of Belgrade-supported parallel structures, in violation of resolution 1244 (1999), which now exist in virtually all municipalities that have a sizeable Kosovo Serb population, continued to hamper the functioning of the legitimate institutions. In the Kamenica municipality (Gnjilane region), the Republic of Serbia Post, Telecommunication and Telegraph Provider employs 12 workers, the Republic of Serbia Power Supply Company employs four workers, the Serbian employment office employs three workers and there are six Serbian civil registration officers. On 19 March, a Public Health Institute was opened by Belgrade officials in the northern part of Mitrovica, in breach of Belgrade's obligation not to support parallel administrative structures. However, parallel structures were removed from the Strpce municipal building, with the support of the Kosovo Serb President of the Municipal Assembly. This operation faced no major problems from the population.

IX. Kosovo Protection Corps

47. The Kosovo Protection Corps (KPC) continued to make progress in restructuring its organization and undertaking skill development and training for its members. The strength of the Corps currently stands at 3,052 active members and 502 reservists. While much work has gone into defining structures, tasks and roles for KPC, substantial work remains to be done. Little progress has been made in addressing property and infrastructure issues. The Kosovo Protection Corps still occupies some 59 sites, against a five-year plan to reduce this to 27 sites, with a reduction to 43 sites by the end of 2003.

48. The more fundamentally challenging task of transforming the Kosovo Protection Corps into a multi-ethnic body focused solely on its mandate as a civilian emergency agency has lagged. The ethnic Kosovo Albanian basis of the Corps, which celebrates "KLA war values", combined with public declarations by KPC and Kosovo Albanian leaders that the Corps is well on its way to becoming the army of an "independent Kosovo" made it almost impossible to attract Kosovo Serbs to the organization. In addition, the aspirations of the organization to serve as an army clearly contravene the principles of resolution 1244 (1999) and the provisions set out in chapter Seven of the Constitutional Framework, as well as applicable law. The commitment of KPC to its civil protection mandate has fluctuated, although in recent weeks the organization appeared to be more focused on its mandated tasks. The verbal commitment to acknowledge UNMIK authority is positive, but some actions belie this. Comments by KPC officials on recent criminal cases and on the Tribunal arrests have shown a lack of understanding for the rule of law, although, in one recent case, the head of KPC took disciplinary measures against an outspoken KPC member. While the standard of individually trained KPC members is high in all mandated tasks and there are adequate internal structures, command and control is, at best, weak. Training has been received in such skill areas as demining, basic first

aid, map reading, communications, mountain search and rescue and public information. A Civil Protection Development Group was formed to improve coordination of all the constituent parts of the emergency response organizations in Kosovo and to develop tasks for KPC within its mandate.

49. A local non-governmental organization, Friends of KPC, has collected approximately €750,000 each year since 1999 through donations from both local sources and from the diaspora. The bulk of these funds has been expended on additional contributions to KPC members and on infrastructure, while a much smaller amount has been given to war widows, families and those seriously injured during the conflict. As from 1 January 2003, all resource mobilization activities for KPC were given to this non-governmental organization with a plan to disburse annual funds proportionately to KPC (50 per cent), and war widows and the injured (25 per cent to each).

50. Within the KPC administration, the issue of personnel management needed considerable attention. Too many cases of non-compliance continued to be reported, 20 major cases involving a total of 38 KPC members being reported during the quarter. Of these cases, 20 per cent were reported by the KPC members themselves. Of the total KPC active strength, approximately 2 per cent have disciplinary problems. Progress has been made in terms of clarifying rules for recruitment and promotion.

51. There are 134 minority members of KPC, three of which are Kosovo Serbs. The recruitment of ethnic minorities will be a slow process and will require commitment from the entire KPC. Recently KPC launched an initiative to recruit Kosovo Serbs and a further 10 Kosovo Serbs should join the organization in the next weeks. The fact that KPC mountain search and rescue training was carried out in the Kosovo Serb majority area of Brezovica in Strpce municipality (Prizren region) was an important step forward in building relations between KPC and the Kosovo Serb community.

X. Support matters

52. The UNMIK Division of Administration continued to provide the necessary logistic support. Three police stations were handed over to the Kosovo Police Service and nine others are expected to be transferred by the end of 2003. With effect from 1 January 2003, the Kosovo consolidated budget has assumed responsibility for routine support costs in all police facilities, with the exception of the main and regional headquarters, which will, for the foreseeable future, continue to be supported by UNMIK.

XI. Observations

53. The continuing and accelerating transfer to the Provisional Institutions of the responsibilities outlined in chapter 5 of the Constitutional Framework is welcome. This is an important step in the process of establishing provisional democratic self-governing institutions, as foreseen in resolution 1244 (1999). The transfer process will be conducted in a phased manner, so that it is sustainable and in compliance with applicable law. It will take into account the capacity of these institutions to

assume additional responsibilities. At the same time, the transfer must proceed, so that the Provisional Institutions become accountable to the people of Kosovo for the delivery of those services and administration for which they are responsible. This will lead to a greater need for the Provisional Institutions to make concrete progress in operationalizing and achieving the benchmarks laid out by my Special Representative. The transfer process will not affect the authority of UNMIK and KFOR under resolution 1244 (1999) or the powers and responsibilities reserved to my Special Representative in accordance with chapter 8 of the Constitutional Framework.

54. The tendency of local Kosovo Albanian leaders and the Provisional Institutions to focus on symbols and image and to publicly promote positions contrary to resolution 1244 (1999) is a cause for concern, as well as the action taken by the Kosovo Assembly on higher education and its refusal to take into account vital interests of minority communities. This amounts to a direct challenge to resolution 1244 (1999) and the Constitutional Framework, as well as to UNMIK's authority under those documents.

55. All local leaders should adhere strictly to resolution 1244 (1999) and the Constitutional Framework. They should also keep their political differences separate from the activities of the Provisional Institutions, and work together to consolidate these institutions by focusing on substance and practical results, instead of holding institutional development hostage to political or ethnic differences. The Provisional Institutions and municipalities need to focus on their areas of responsibility and on what matters directly to all the people of Kosovo, including those waiting to return. The "standards before status" policy provides a framework for this focus, and the local leaders are called upon to support and join in the efforts to make measurable progress towards achieving them. These institutions can and will increase their capacity to deliver services to the people with the concerted effort of all concerned. A lack of participation in the institutions themselves, as well as disengagement from the political process, serves only to hamper progress in concrete issues of governance and does nothing to improve the image of Kosovo in the eyes of the international community.

56. This, of course, includes the meaningful participation of all communities of Kosovo in the provisional institutions and municipal bodies. Forming separate, mono-ethnic administrative institutions will not lead to the multi-ethnic Kosovo towards which we all strive. Working within the established structures requires willingness on the part of the minority communities and receptivity on the part of the majority community. Leaders of these communities are called on to work together to this end, and to foster an environment within Kosovo and its provisional institutions that encourages such participation. I also call on the authorities in Belgrade to work with UNMIK to dismantle the existing parallel administrative bodies still functioning in Kosovo.

57. With the returns season fast approaching, UNMIK is working hard to ensure that the Kosovo environment is conducive to minority returns. Progress has been made on the ground by preparing projects and sensitizing communities to ensure that returns take place in as safe, secure and sustainable an environment as possible. The progress made by the Provisional Institutions and some municipalities in providing support to the return of minority communities, which must continue and be further strengthened, is encouraging. Everyone's support and dedication is

needed to create a welcoming and sustainable environment. However, acts of intimidation, threats and violence directed against minorities still occur and are intended to discourage minority participation in public life. Such acts have a negative impact on Kosovo's institutional development, which will be judged, inter alia, by how the majority treats the minority. The leaders and people in Kosovo should put an end to such acts, and work actively on inter-ethnic dialogue and reconciliation. Such acts, deplorable as they are, should not be used to obstruct the functioning of the democratic institutions that are being developed. Positive change can only be brought about by genuine dialogue and participation.

58. Dialogue is also needed between Belgrade and Pristina. My Special Representative's initiative to start this dialogue on practical matters of mutual concern is commended. This initiative will be pursued after a consolidation phase necessitated by developments in Belgrade and the need for the Provisional Institutions to prepare for such dialogue. Those concerned should work constructively together in order to begin this process in a spirit of compromise and within the framework of resolution 1244 (1999). Leaders on both sides, and particularly in Belgrade, should refrain from making public statements, which may undermine the proposed dialogue or contradict the provisions of resolution 1244 (1999). Such statements create unnecessary tensions and do not serve the best interests of the communities concerned.

59. It is encouraging that respect for the rule of law appears to be improving, as evidenced by the support given by local leaders to the efforts of the International Criminal Tribunal for the Former Yugoslavia. No one is above the law, and it is the responsibility of the leaders and the population to support the consolidation of the rule-of-law structure, and to turn away from crime and violence.

60. Finally, I would like to express my appreciation to my Special Representative, Michael Steiner, and to the men and women of UNMIK for the exemplary and professional manner in which they have carried out their duties. I would also like to express my gratitude to our partners within UNMIK, the European Union and the Organization for Security and Cooperation in Europe, as well as KFOR, and the organizations, agencies, contributors and donors for their substantial political and material support in implementing Security Council resolution 1244 (1999).

Annex I

A. Composition and strength of the UNMIK police as at 31 March 2003

Country	*Number*	*Country*	*Number*
Argentina	147	Malawi	21
Austria	44	Mauritius	5
Bangladesh	84	Nepal	38
Belgium	1	Nigeria	86
Bulgaria	99	Norway	27
Canada	22	Pakistan	182
Czech Republic	9	Philippines	62
Denmark	29	Poland	124
Egypt	66	Portugal	19
Fiji	34	Romania	183
Finland	26	Russian Federation	118
France	87	Senegal	16
Germany	363	Slovenia	15
Ghana	84	Spain	128
Greece	18	Switzerland	9
Hungary	5	Sweden	42
Iceland	1	Tunisia	6
India	499	Turkey	163
Italy	58	United Kingdom of Great Britain and	
Jordan	426	Northern Ireland	130
Kenya	44	Ukraine	193
Kyrgyzstan	4	United States of America	522
Lithuania	9	Zambia	31
Malaysia	46	Zimbabwe	64
		Total	**4 389**

B. Composition of the Kosovo Police Service as at 31 March 2003

Category	*Percentage*	*Number*
Kosovo Albanians	84.09	4 407
Kosovo Serbs	9.24	473
Other ethnic minority members	6.67	367
Total		**5 247**
Men	84.6	4 460
Women	15.4	787

Annex II

Composition and strength of the Military Liaison Component of the United Nations Interim Administration Mission in Kosovo (as at 31 March 2003)

Nationality	*Number of liaison officers*
Argentina	1
Bangladesh	1
Belgium	1
Bolivia	1
Bulgaria	1
Chile	1
Czech Republic	1
Denmark	1
Finland	2
Hungary	1
Ireland	3
Italy	1
Jordan	1
Kenya	1
Malawi	1
Malaysia	1
Nepal	2
New Zealand	1
Norway	2
Pakistan	1
Poland	1
Romania	1
Russian Federation	2
Spain	2
Switzerland	1
Ukraine	2
United Kingdom of Great Britain and Northern Ireland	1
United States of America	2
Zambia	1
Total	**38**

UNMIK
District Centres
SERBIA AND MONTENEGRO
Serbia
Montenegro
NORTH
WEST
PRISTINA
Pristina
EAST
SOUTH
Province of Kosovo
ALBANIA
THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA
Skopje
UNMIK District Centre
UNMIK perimeter of operations
The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations.